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Orderly Liquidation of Stocks of Agricultural Commodities Held by the Commodity Credit Corporation and the Expansion of Markets for Surplus Agricultural Commodities

An annual report by the
Secretary of Agriculture
in response to Section 201 (b),
Public Law 540, 84th Congress

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United States Department of Agriculture
Washington, D. C. 20250

December 1967

This report is in response to the following parts of Section 201(b), Public Law 540, 84th Congress, approved May 28, 1956:

". . . The Secretary shall report annually on his operations under subsection (a) and such reports shall show--

(1) the quantities of surplus commodities on hand;

(2) the methods of disposition utilized and the quantities disposed of during the preceding twelve months;

(3) the methods of disposition to be utilized and the estimated quantities that can be disposed of during the succeeding twelve months;

(4) a detailed program for the expansion of markets for surplus agricultural commodities through marketing and utilization research and improvement of marketing facilities; and

(5) recommendations for additional legislation necessary to accomplish the purposes of this section."

NOTE: Parts I, II and IV were written and compiled by the Office of the General Sales Manager, Foreign Agricultural Service on the basis of official figures furnished by the Fiscal and Budget Divisions of the Agricultural Stabilization and Conservation Service.

The topical sections of Part III were written by various agencies of the Department as indicated below:

Utilization Research and Development - Agricultural Research Service
Expanding Domestic Markets - Economic Research Service
Improvement of Marketing Facilities - Consumer and Marketing Service
Forest Products Marketing and Utilization Research - Forest Service
Farmer Cooperatives - Farmer Cooperative Service
Promotion of Exports - Foreign Agricultural Service and Economic
Research Service

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PART I

QUANTITIES OF SURPLUS COMMODITIES ON HAND; SALES AND DISPOSITION METHODS USED; AND QUANTITIES OF CCC COMMODITIES MOVED INTO CONSUMPTION CHANNELS

This year's sales activities and inventory operations have again reduced the year end cost value of all inventories. Even supplies of upland cotton were reduced by nearly 2.5 million bales. As of June 30, 1967, the total cost value of CCC price support inventories was \$1.9 billion, down \$1.2 billion from June 30, 1966. During Fiscal Year 1967, CCC sold or otherwise disposed of commodities with a cost value of \$2.6 billion (excluding inventory carrying charges). At the end of the year, CCC inventories of grains were again below a generally acceptable normal carryover.

CCC'S PRICE SUPPORT INVESTMENT

CCC's investment in price support loans and inventories was reduced to \$3,361,555,000 as of June 30, 1967, compared with \$5,312,283,000 as of June 30, 1966, a reduction of \$1,950,728,000. Commodities pledged for loans decreased from \$2,199,351,000 to \$1,503,142,000 (see Table 1 which shows total CCC investment in commodities pledged for loans and commodities in inventory as of June 30, 1967).

Composition of the total CCC inventory and changes in the inventory from Fiscal Year 1963 through 1967 are shown in Table 2.

CCC inventories of upland cotton decreased from 9,292,971 bales in 1966 to 6,713,979 bales in 1967. Wheat dropped from 340,310,179 bushels to 123,550,925 bushels. Corn decreased from 279,662,628 bushels to 141,020,280 bushels. Grain sorghums declined from 419,948,704 bushels to 194,263,959. Stocks of other grains and rice remain virtually exhausted.

Tobacco under loan decreased from 1,018,191,813 pounds to 921,235,142 pounds. Cotton and tobacco remain as the only two commodities in excess supply. See Charts 1 and 2.

CCC SALES PROGRAMS AND DISPOSAL METHODS

CCC sells or otherwise disposes of its commodities through five major outlets: Commercial Sales for U.S. Dollars, Payment-in-Kind Programs, Barter, Sales for Foreign Currencies and Dollars under Public Law 480, Transfers and Donations. In its sales and disposal operations, CCC utilizes, insofar as practicable, the customary facilities and arrangements of trade and commerce. CCC has

developed various sales methods which are summarized by commodity in Table 3.

Composition of these sales and dispositions for Fiscal Year 1967 are shown in Table 4.

Tobacco price support activity for Fiscal Year 1967 including sales and liquidation of tobacco under loan are shown in Table 5.

1. DOLLAR SALES

(a) Commercial Dollar Sales

Commercial dollar sales accounted for 43% of total CCC dispositions during Fiscal Year 1967, nearly double the dollar sales proportion for the previous year. (See Table 6). Expanded domestic sales of upland cotton, wheat and feed grains were largely responsible for the increase.

In view of the greatly reduced CCC inventories, the Department requested new legislation authorizing export financing of agricultural commodities under the CCC Export Credit Sales Program from privately owned stocks. Public Law 89-808 was passed by the Congress authorizing such financing and new CCC credit regulations (GSM-4) were issued April 27, 1967. Under the revised regulations all export financing under the program will be from private stocks. Should CCC inventories again accumulate, export credit sales from inventories could be reinstituted.

Dollar sales under the program were the highest in the history of the program reaching a total of \$339,322,622. Revisions in the program provided for CCC's purchase of private exporters' accounts receivable and payment in cash rather than PIK certificates. Additional safeguards for CCC were also incorporated in the new regulations. Wheat was the largest selling commodity followed in order by grain sorghums, corn and cotton. See Chart 3 for cumulative sales under CCC credit from March 30, 1956, through June 30, 1967.

Overall commercial dollar sales more than doubled over the total for Fiscal Year 1966.

(b) Dollar Credit Sales Under Title I, PL 480 Sales Agreements

The estimated export market value and applicable ocean transportation of all Title I government-to-government dollar credit sales agreements and amendments to agreements entered into during Fiscal Year 1967 was \$92.0 million compared with a Fiscal Year 1962-66 average of \$156.4 million.

From the signing on August 21, 1961, of the first Public Law 480 government-to-government dollar credit sales agreement through June 30, 1967, a total of 115 agreements, amendments and extensions of such

agreements have been entered into with the governments of 37 countries. These provide for financing exports of surplus agricultural commodities having an export market value of approximately \$874.2 million including applicable ocean transportation with eventual repayment in dollars. The total market value of commodities exported through June 30, 1967, under these agreements, including applicable ocean transportation, was \$682.1 million. Through the same date, repayments by foreign governments totaled \$101.0 million of which \$79.1 million represented amortization of principal amounts financed by CCC and \$21.9 million was interest.

Since the first private trade agreement was signed December 31, 1964, through June 30, 1967, a total of seven agreements have been entered into with private trade entities in four countries, providing for the export financing of surplus agricultural commodities valued at \$48.9 million including applicable ocean transportation. As of June 30, 1967, commodities having an export market value, including applicable ocean transportation, of approximately \$9.3 million have been exported.

Dollar repayments under these agreements through June 30, 1967, have amounted to \$497,000 of which \$335,000 were repayments of principal and \$162,000 was interest.

2. PAYMENT-IN-KIND PROGRAMS

(a) Feed Grain Program

Dispositions of feed grains under this program accounted for 24% of total CCC dispositions during Fiscal Year 1967. (See Table 6). This program was designed to cut back production of feed grains, (thereby reducing CCC costs and costs to the taxpayer) but at the same time also assure feed grain producers improved farm income. The program provides for the voluntary reduction of feed grain acreage from the 1959-60 base. Producers who comply with the program are eligible for price support and in certain cases were eligible for diversion payments. Cooperators who make the necessary acreage reductions receive certificates which may be redeemed in feed grains or, if they request the assistance of CCC in marketing their certificates, CCC pays them the dollar amount of their certificates. Non-cooperators are not eligible for price support. Through sale of certificate rights CCC recovers the money paid to producers. Redemptions of certificate rights during the marketing year were made at market prices but not less than the loan rate (115% of the loan rate effective January 1, 1967, under the Food for Peace Act of 1966) plus reasonable carrying charges.

(b) Export Payment-in-Kind

Dispositions under these programs accounted for 16% of the total CCC sales and dispositions during Fiscal Year 1967. (See Table 6). This was about the same as last year's figure. However, under the new CCC credit program regulations no new export payment-in-kind certificates will be generated. Feed grains continued to be fully competitive in world markets and required no export payment allowances. Therefore, this disposition method is not now being utilized.

3. BARTER

Barter transactions accounted for approximately 5% of the CCC dispositions during Fiscal Year 1967, about half of last year's total. (See Table 6).

Emphasis is continuing upon procurement of material for other government agencies under barter transactions.

4. SALES FOR FOREIGN CURRENCIES

Foreign currency sales made under Public Law 480 are largely from privately-owned stocks and thus represent a negligible percentage of CCC's total dispositions.

5. TRANSFERS AND DONATIONS

Transfers from CCC inventories to other U.S. government agencies and donations of surplus commodities for domestic and foreign use accounted for approximately 12% of all CCC sales and dispositions, down slightly from last year.

Chart 1

QUANTITIES OF SELECTED COMMODITIES IN CCC INVENTORY AND TOBACCO UNDER LOAN TO CCC

Fiscal Years 1963-67

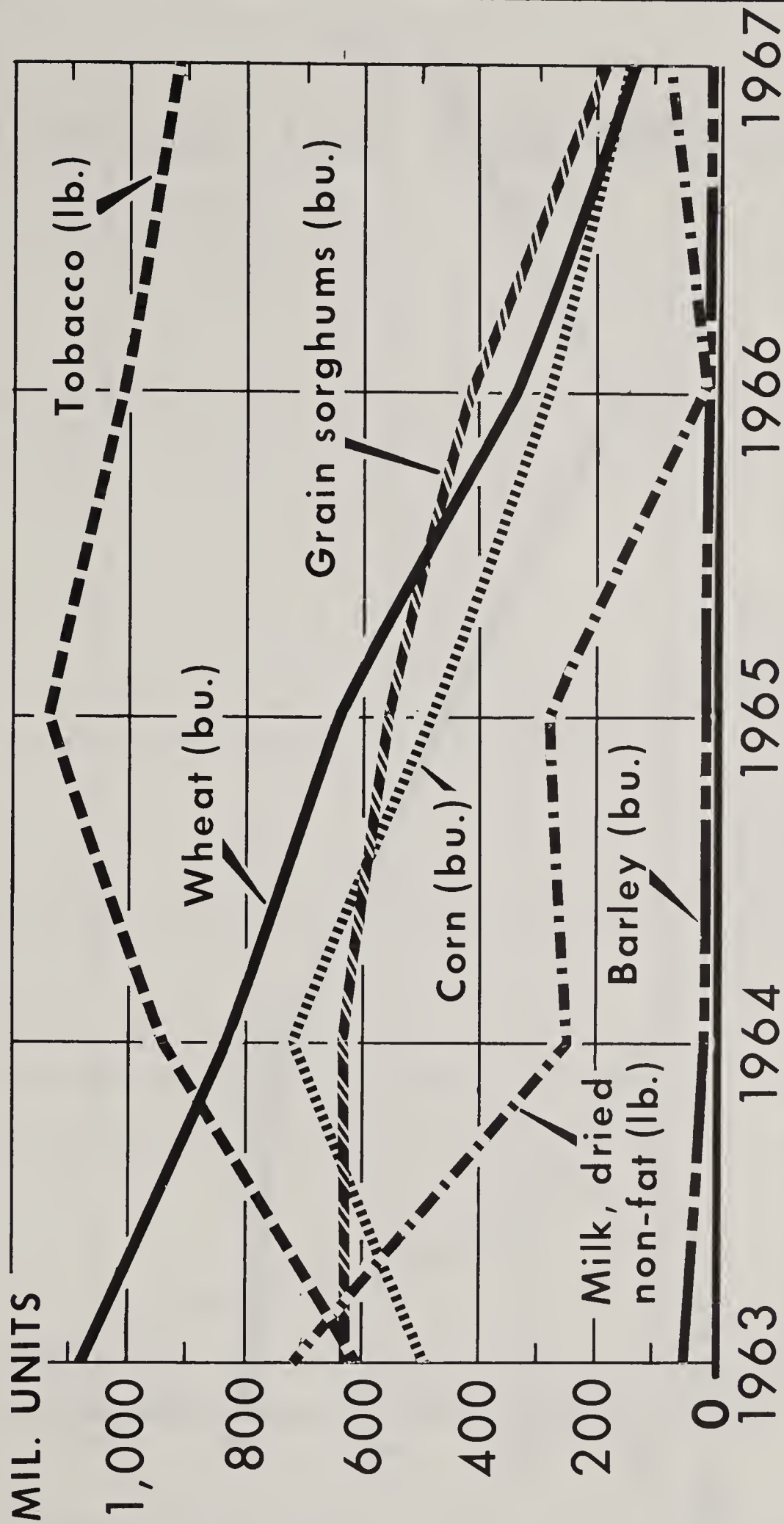


Chart 2

QUANTITY OF UPLAND COTTON IN CCC INVENTORY

Fiscal Years 1963-67

MIL. BALES

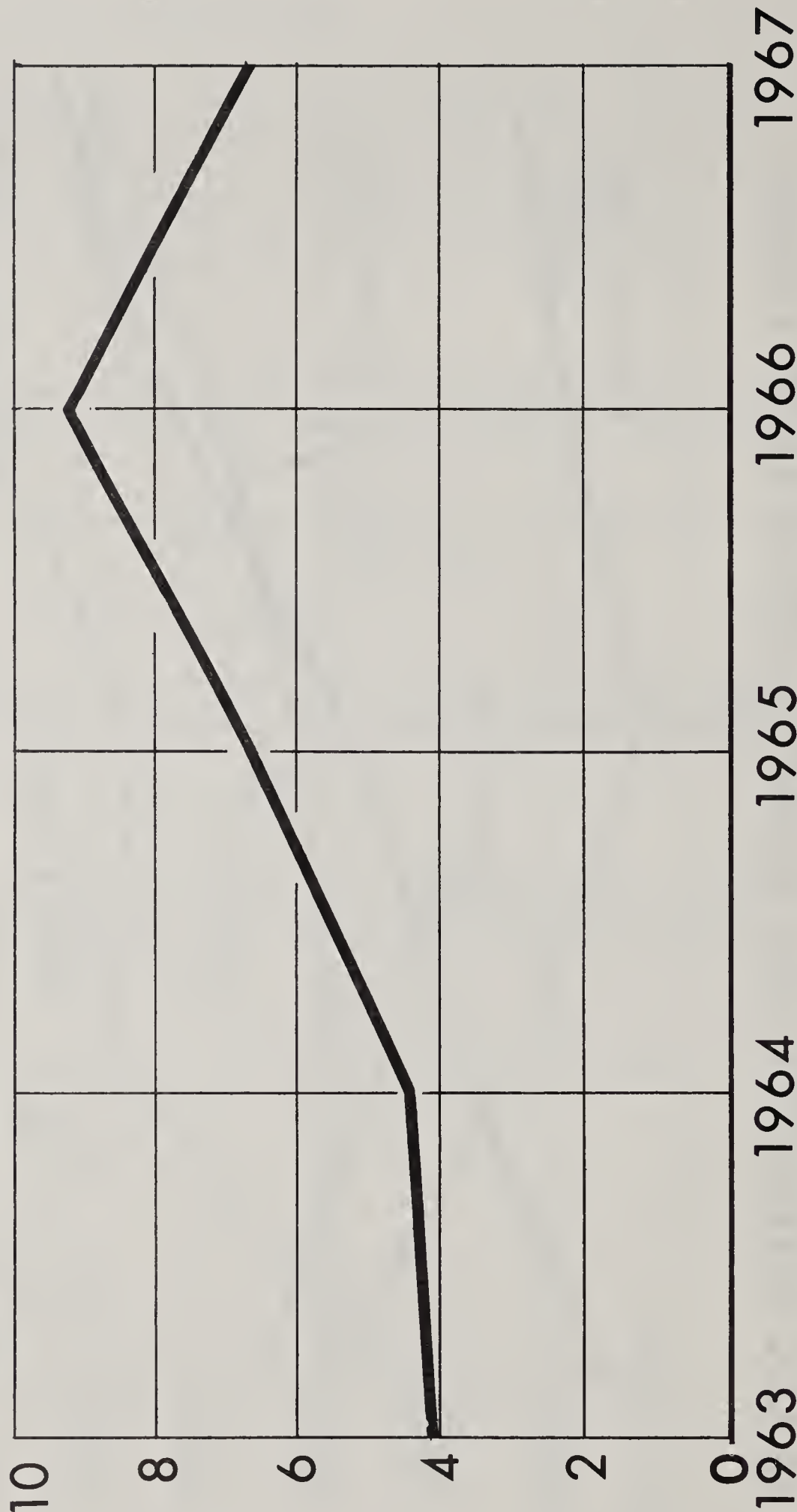


CHART 3

CUMULATIVE DOLLAR VALUE OF CCC CREDIT EXPORTS

Fiscal Years 1956-67

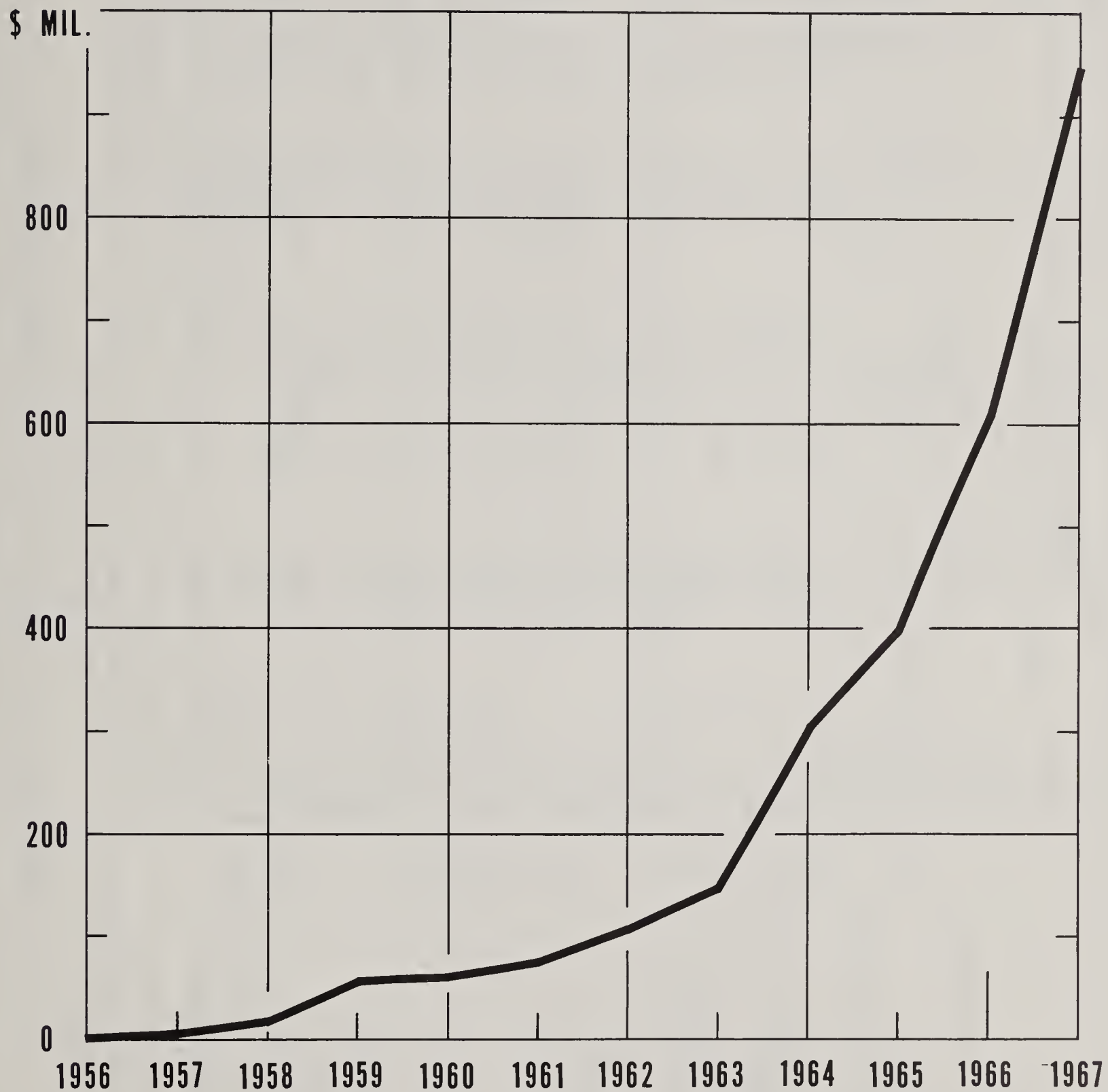


Table 1

INVESTMENT IN PRICE-SUPPORT LOANS AND INVENTORIES

(All Figures in Thousands)

COMMODITY	Unit of Measure	Pledged for Loans			Investment as of June 30, 1967 ^{a/}			Total			Total Investment as of June 30, 1966 ^{a/}		
		Quantity	Value		Quantity	Value ^{b/}		Quantity	Value		Quantity	Value ^{b/}	
Basic Commodities:													
Corn.....	Bushel	305,475	\$ 296,002		141,020	\$ 168,425		446,495	\$ 464,427		711,786	\$ 794,463	
Corn Products.....	Pound	-	-		2,891	105		2,891	105		-	-	
Cotton, Extra Long Staple.....	Bale	25	6,126		124	31,985		149	38,111		151	38,588	
Cotton, Upland.....	Bale	1,642	146,899		6,714	1,018,892		8,356	1,165,791		14,603	2,189,363	
Peanuts.....	Pound	603	67		84,631	13,740		85,234	13,807		63,753	10,683	
Rice.....	Gwt.	2	10		140	703		142	713		600	3,192	
Tobacco.....	Pound	921,235	678,820		-	-		921,235	678,820		1,018,192	761,149	
Wheat.....	Bushel	76,344	95,684		123,551	195,336		199,895	291,020		422,830	791,739	
Total Basic Commodities.....		xxx	1,223,608		xxx	1,429,186		xxx	2,652,794		xxx	4,589,177	
Designated Nonbasic Commodities:													
Milk and Butterfat:													
Butter.....	Pound	-	-		154,539	103,337		154,539	103,337		38	23	
Cheese.....	Pound	-	-		41,545	19,442		41,545	19,442		-	-	
Milk, Dried.....	Pound	-	-		76,302	15,879		76,302	15,879		10,796	1,599	
Barley.....	Bushel	10,503	7,938		5,937	4,688		16,440	12,626		19,129	15,473	
Grain Sorghum.....	Bushel	33,932	30,430		194,264	207,429		228,196	237,859		461,503	506,262	
Honey.....	Pound	3,391	431		3,160	380		6,551	811		7,697	926	
Oats.....	Bushel	32,515	16,974		47,191	28,577		79,706	45,551		98,353	56,198	
Rye.....	Bushel	182	178		7,342	7,534		7,524	7,712		9,968	10,339	
Tung Oil.....	Pound	53,963	13,405		12,707	3,043		66,670	16,448		45,107	10,875	
Total Designated Nonbasic Commodities.....		xxx	69,356		xxx	390,309		xxx	459,665		xxx	601,695	
Other Nonbasic Commodities:													
Beans, Dry Edible.....	Gwt.	67	444		1,788	12,739		1,855	13,183		67	464	
Flaxseed.....	Bushel	279	813		4,553	13,174		4,832	13,987		13,631	40,109	
Linseed Oil.....	Pound	-	-		80,000	9,494		80,000	9,494		80,000	9,494	
Naval Stores: Rosin.....	Pound	392,765	40,723		-	-		392,765	40,723		419,327	44,360	
Soybeans.....	Bushel	68,156	168,198		1	2		68,157	168,200		7,346	16,639	
Total Other Nonbasic Commodities.....		xxx	210,178		xxx	35,409		xxx	245,587		xxx	111,066	
Exchange Commodities:													
Strategic and Other Materials.....		xxx	xxx		xxx	3,509		xxx	3,509		xxx	10,345	
TOTAL.....		xxx	1,503,142		xxx	1,858,413		xxx	3,361,555		xxx	5,312,283	

NOTE: Inventories of commodities as shown in this report include commodities committed to sale or otherwise obligated.

^{a/} Investment value before deduction of allowance for losses.

^{b/} Investment value of inventory represents acquisition cost plus cost of any packaging or processing performed after acquisition.

Table 2

COMMODITIES IN CCC INVENTORY AND TOBACCO UNDER LOAN TO CCC
AS OF JUNE 30
(All figures in Thousands)

Commodity	Unit of Measure	1963	1964	1965	1966	1967
				CCC Inventories		
Cotton, Extra Long Staple	Bales	16	37	99		124
Cotton, Upland	Bales	4,136	4,403	6,640	119	6,714
Wheat	Bushels	1,082,464	828,851	646,310	9,293	123,551
Wheat Flour	Pounds	--	3,488	682	340,310	--
Wheat, Rolled	Pounds	--	407	424	--	--
Bulgur	Pounds	4,854	78	1,455	--	--
Corn	Bushels	492,124	735,390	482,974	279,663	141,020
Corn Products	Pounds	--	683	6,359	--	2,891
Barley	Bushels	46,976	27,908	19,542	10,839	5,937
Oats	Bushels	18,623	33,190	42,218	50,573	47,191
Rye	Bushels	1,563	766	5,922	9,230	7,342
Grain Sorghums	Bushels	633,412	637,585	564,302	419,949	194,264
Butter	Pounds	379,846	183,269	158,991	38	154,539
Butter Oil	Pounds	90,959	21,040	1,592	--	--
Ghee	Pounds	2,170	1,589	--	--	--
Cheese	Pounds	51,420	33,062	2,089	--	41,545
Milk, Dried Non-fat	Pounds	706,776	249,701	282,620	10,796	76,302
Beans, Dry Edible	Cwt.	1,168	1,426	476	37	1,789
Rice, Milled	Cwt.	14	--	--	16	--
Rice, Rough	Cwt.	1,796	1,590	1,312	579	140
Peanuts, Farmers' Stock	Pounds	6,937	--	--	--	57
Peanuts, Shelled	Pounds	66,944	67,037	43,195	60,969	84,574
Tung Oil	Pounds	--	--	14,717	15,795	12,707
Cottonseed Oil, Refined	Pounds	1,268	79,232	--	--	--
Linseed Oil	Pounds	--	21,000	80,000	80,000	80,000
Flaxseed	Bushels	5,327	10,616	2,449	12,382	4,553
Soybeans	Bushels	3,182	19	2	8	1
Vegetable Oil Products	Pounds	17,362	2,725	3,418	--	--
Turpentine	Gallons	826	--	--	--	--
Mixed Feed	Cwt.	--	--	109	--	--
Honey	Pounds	--	--	--	307	3,160
Tobacco	Pounds	609,453	942,544	1,149,364	1,018,192	921,235
			Tobacco Under Loan to CCC			

Table 3

METHODS OF SELLING CCC COMMODITIES

DURING JUNE 1967

FOR EXPORT		FOR UNRESTRICTED USE (DOMESTIC OR EXPORT)
Commodities Offered on Competitive Bids	Commodities Offered at Announced Prices	Commodities Offered in Redemption of Export Commodity Certificates <u>3/</u>
Peanuts	Rough Rice <u>2/</u>	Barley
Cotton, extra long staple	Flaxseed	Butter
Tung Oil	Linseed Oil	Cheddar Cheese
		Corn
		Cotton, upland
		Cotton, extra long staple
		Dry Edible Beans
		Flaxseed
		Grain Sorghums
		Non-fat Dry Milk
		Oats
		Peanuts, Edible
		Peanuts, for Crushing
		Soybeans
		Rough Rice
		Rye
		Wheat

1/ Sales of commodities in danger of deterioration are made at the best price obtainable.
Dispositions against certificate rights under the feed grain program are made at market price but not less than the loan rate plus reasonable carrying charges.

2/ For export as milled, unpolished milled, or brown rice.

3/ Issuance of Export Commodity Certificates discontinued by April 27, 1967.

Table 4

DISPOSITION OF INVENTORIES ACQUIRED
UNDER THE PRICE-SUPPORT PROGRAM BY TYPE OF DISPOSITION
FISCAL YEAR 1967

(All Figures in Thousands)

COMMODITY AND ITEM	Unit of Measure	Total Dispositions a/	Sales for Dollars		Payment-in-Kind	Barter c/		P.L. 480 Title II d/	Donations e/		Transfers to Other Government Agencies
			Domestic	Export b/		Unrestricted Use	Export b/		Export	Domestic	
BASIC COMMODITIES:											
Corn:											
Quantity.....	Bushel	203,560	15,285	28,704	150,438	1,442	2,001	5,597	8	11	74
Cost Value.....		\$ 251,056	18,699	35,384	184,936	1,777	2,466	7,667	9	27	91
Proceeds.....		\$ 249,416	18,316	41,041	170,992	2,015	2,864	14,071	-	-	117
Corn Products:											
Quantity.....	Pound	334,549	-	-	-	-	-	127,927	132,387	74,235	-
Cost Value.....		\$ 13,354	-	-	-	-	-	4,892	5,606	2,856	-
Proceeds.....		\$ 4,985	-	-	-	-	-	4,985	-	-	-
Cotton, Extra Long Staple:											
Quantity.....	Bale	25	g/	24	-	1	g/	-	g/	-	-
Cost Value.....		\$ 6,339	6	6,069	-	154	110	-	g/	-	-
Proceeds.....		\$ 4,849	6	4,643	-	116	84	-	-	-	-
Cotton, Upland:											
Quantity.....	Bale	7,811	4,700	g/	2,679	-	432	-	g/	-	-
Cost Value.....		\$ 1,178,256	697,764	1*	415,383	-	65,106	-	4	-	-
Proceeds.....		\$ 793,481	483,470	64*	267,172	-	42,903	-	-	-	-
Peanuts, Farmers' Stock:											
Quantity.....	Pound	355	318	-	-	-	-	-	37	-	-
Cost Value.....		\$ 36	32	-	-	-	-	-	4	-	-
Proceeds.....		\$ 12	12	-	-	-	-	-	-	-	-
Peanuts, Shelled:											
Quantity.....	Pound	161,595	139,546	22,049	-	-	-	-	-	-	-
Cost Value.....		\$ 25,329	21,510	3,819	-	-	-	-	-	-	-
Proceeds.....		\$ 11,746	9,607	2,139	-	-	-	-	-	-	-
Rice, Milled:											
Quantity.....	Cwt.	1,031	-	-	-	-	-	-	1,031	-	-
Cost Value.....		\$ 9,698	-	-	-	-	-	g/	9,698	-	-
Proceeds.....		\$ -	-	-	-	-	-	-	-	-	-
Rice, Rough: h/											
Quantity.....	Cwt.	555	555	-	-	-	-	-	-	-	-
Cost Value.....		\$ 2,858	2,861	-	-	3*	-	-	-	-	-
Proceeds.....		\$ 3,067	3,067	-	-	-	-	-	-	-	-
Tobacco, Owned:											
Quantity.....	Pound	45,898	-	-	-	-	45,898	-	-	-	-
Cost Value.....		\$ 31,592	-	-	-	-	31,592	-	-	-	-
Proceeds.....		\$ 31,592	-	-	-	-	31,592	-	-	-	-
Wheat:											
Quantity.....	Bushel	223,790	26,251	8,297	158,424	14,282	13,999	2	2,535	-	-
Cost Value.....		\$ 499,429	57,804	18,540	354,000	31,914	31,156	4	6,011	-	-
Proceeds.....		\$ 449,896	45,031	12,761	312,704	29,211	50,189	-	-	-	-
Wheat, Rolled:											
Quantity.....	Pound	86,127	-	-	-	-	-	26,491	33,514	26,122	-
Cost Value.....		\$ 4,855	-	-	-	-	-	1,284	2,200	1,371	-
Proceeds.....		\$ 1,306	-	-	-	-	-	1,306	-	-	-
Wheat Flour:											
Quantity.....	Pound	957,212	-	-	-	-	-	283,997	425,571	247,644	-
Cost Value.....		\$ 52,017	-	-	-	-	-	12,939	27,483	11,595	-
Proceeds.....		\$ 13,197	-	-	-	-	-	13,197	-	-	-
Bulgur:											
Quantity.....	Pound	242,051	-	-	-	-	-	141,293	4,881	95,877	-
Cost Value.....		\$ 11,802	-	-	-	-	-	6,826	374	4,602	-
Proceeds.....		\$ 6,960	-	-	-	-	-	6,960	-	-	-

(Continued on next page)

Table 4 (continued)

DISPOSITION OF INVENTORIES ACQUIRED
UNDER THE PRICE-SUPPORT PROGRAM BY TYPE OF DISPOSITION
FISCAL YEAR 1967

(All Figures in Thousands)

COMMODITY AND ITEM	Unit of Measure	Total Dispositions a/	Sales for Dollars		Payment-in-Kind		Barter c/	P. L. 480 Title II d/	Donations e/		Transfers to Other Government Agencies
			Domestic	Export b/	Unrestricted Use	Export b/	Export	Export	Domestic	Export	Domestic f/
DESIGNATED NONBASIC COMMODITIES:											
Butter:											
Quantity.....	Pound	49,790	251	212*	-	-	-	67	49,684	-	-
Cost Value.....	\$	33,746	149	125*	-	-	-	44	33,678	-	-
Proceeds.....	\$	149	166	63*	-	-	-	46	-	-	-
Cheese:											
Quantity.....	Pound	30,841	30	27*	-	-	-	-	30,838	-	-
Cost Value.....	\$	14,524	11	10*	-	-	-	-	14,523	-	-
Proceeds.....	\$	1	9	8*	-	-	-	-	-	-	-
Milk Dried:											
Quantity.....	Pound	468,432	692	28,816	-	-	-	269,371	134,431	29,916	5,206
Cost Value.....	\$	96,776	102	5,171	-	-	-	55,667	28,928	5,918	990
Proceeds.....	\$	63,904	135	2,735	-	-	-	60,141	-	-	893
Berley:											
Quantity.....	Bushel	4,890	500	1,486	1,070	1,834	-	-	-	-	-
Cost Value.....	\$	4,243	434	1,289	930	1,590	-	-	-	-	-
Proceeds.....	\$	5,609	461	1,826	989	2,333	-	-	-	-	-
Grain Sorghum:											
Quantity.....	Busbel	231,316	7,808	175,333	25,354	14,676	865	6,850	2	428	-
Cost Value.....	\$	265,878	8,753	200,752	30,078	16,803	991	7,915	2	584	-
Proceeds.....	\$	285,941	8,140	215,565	27,372	19,554	1,070	14,240	-	-	-
Honey:											
Quantity.....	Pound	3,239	355	-	-	-	-	-	-	-	2,884
Cost Value.....	\$	496	38	-	-	-	-	-	-	-	458
Proceeds.....	\$	530	33	-	-	-	-	-	-	-	497
Oats:											
Quantity.....	Bushel	17,315	11,352	1,683	12	4,229	-	-	-	-	39
Cost Value.....	\$	10,375	6,770	1,017	7	2,557	-	-	-	-	24
Proceeds.....	\$	11,445	7,150	1,210	7	3,039	-	-	-	-	39
Oats, Rolled:											
Quantity.....	Pound	24,231	-	-	-	-	-	2,586	21,645	-	-
Cost Value.....	\$	1,834	-	-	-	-	-	181	1,653	-	-
Proceeds.....	\$	185	-	-	-	-	-	185	-	-	-
Rye:											
Quantity.....	Busbel	3,656	386	-	17	3,253	-	-	-	-	-
Cost Value.....	\$	3,909	413	-	19	3,477	-	-	-	-	-
Proceeds.....	\$	4,420	351	-	17	4,052	-	-	-	-	-
Tung Oil:											
Quantity.....	Pound	3,088	3,088	-	-	-	-	-	-	-	-
Cost Value.....	\$	739	739	-	-	-	-	-	-	-	-
Proceeds.....	\$	418	418	-	-	-	-	-	-	-	-
OTHER NONBASIC COMMODITIES:											
Beans, Dry Edible:											
Quantity.....	Cwt.	155	48	-	-	-	-	72	35	-	-
Cost Value.....	\$	1,137	381	-	-	-	-	501	255	-	-
Proceeds.....	\$	940	419	-	-	-	-	521	-	-	-
Flaxseed:											
Quantity.....	Bushel	8,769	1,212	207	-	7,350	-	-	-	-	-
Cost Value.....	\$	25,988	3,616	612	-	21,760	-	-	-	-	-
Proceeds.....	\$	27,539	3,449	670	-	23,420	-	-	-	-	-
Soybeans:											
Quantity.....	Bushel	5	5	-	-	-	-	-	-	-	-
Cost Value.....	\$	5	5	-	-	-	-	-	-	-	-
Proceeds.....	\$	8	8	-	-	-	-	-	-	-	-
Vegetable Oil Products:											
Quantity.....	Pound	2	-	-	-	-	-	-	2	-	-
Cost Value.....	\$	-	-	-	-	-	-	-	-	-	-
Proceeds.....	\$	-	-	-	-	-	-	-	-	-	-
TOTAL AGRICULTURAL COMMODITIES:											
Cost Value.....	\$	2,546,271	820,087	272,517	631,353	402,115	132,179	129,072	124,421	32,964	1,563
Proceeds.....	\$	1,971,596	580,248	282,455	466,549	367,233	107,724	165,841	-	-	1,546
EXCHANGE COMMODITIES:											
Cost Value.....	\$	32,350	-	-	-	-	-	-	-	-	32,350
Proceeds.....	\$	32,540	-	-	-	-	-	-	-	-	32,540
TOTAL PRICE-SUPPORT PROGRAM:											
Cost Value.....	\$	2,578,621	820,087	272,517	631,353	402,115	132,179	129,072	124,421	32,964	33,913
Proceeds.....	\$	2,004,136	580,248	282,455	466,549	367,233	107,724	165,841	-	-	34,086

* Denotes negative item which results from adjustment of prior activity.

a/ Excludes inventory losses and other adjustments and related recoveries.

b/ Includes commodities subsequently exported and financed under P. L. 480.

c/ Proceeds represent exchange value of commodities except that proceeds from sales of wheat also includes export differentials.

d/ Includes foreign donations through nonprofit voluntary agencies beginning January 1, 1967, see footnote a/. Proceeds represent the Corporation's full investment amount charged to the statutory limitation. Investment is computed at values assigned to recover for CCC all costs related to these disposals.

e/ Includes donations under Sections 407, 416 and miscellaneous donations under various other authorizations. Foreign donations through nonprofit voluntary agencies are included through December 31, 1966, see footnote d/

f/ Includes sales to Section 32 at lower of cost or market for distribution to relief or welfare outlets.

g/ Less than five hundred.

h/ Includes sales of rough rice to processors under conditional contracts providing for repurchase of milled rice by CCC.

Table 5

TOBACCO PRICE-SUPPORT LOAN ACTIVITY FOR FISCAL YEAR 1967

(All figures in millions)

Type	Loans Outstanding July 1, 1966	Loans Made July 1, 1966 Through June 30, 1967	Liquidation of Loan Collateral	Loans Outstanding June 30, 1967
	Quantity	Value	Quantity	Value
Burley	242.6	\$181.4	54.1	\$ 47.7
Flue-Cured	696.6	537.1	66.3	52.9
Other	79.0	42.6	20.4	10.7
Total	1,018.2	\$761.1	140.8	\$111.3
			237.8	\$193.6
			921.2	\$678.8

Table 6

DISPOSITIONS OF CCC INVENTORIES ACQUIRED UNDER
PRICE SUPPORT PROGRAMS DURING THE YEAR ENDING JUNE 30, 1967

DISPOSITION METHOD	DISPOSITIONS	PERCENT OF TOTAL DISPOSITIONS <u>1/</u> <u>2/</u>
(Cost Value in 1,000 Dollars)		
<u>Sales for Dollars</u>		
Domestic	820,087	32
Export	272,517	<u>11</u>
Total	1,092,604	<u>43</u>
<u>Barter</u>	132,179	5
<u>Payment-in-Kind</u>		
Unrestricted use	631,353	24
Export	402,115	<u>16</u>
Total	1,033,468	<u>40</u>
<u>Transfers</u>		
Domestic	33,913	1
<u>Donations</u>		
Domestic	124,421	5
Export, including Title II of Public Law 480	162,036	<u>6</u>
Total	286,457	<u>11</u>
 TOTAL	 2,578,621	 100%

1/ Fiscal Year 1967

2/ Rounded to nearest percent

Table 7

SALES OF COMMODITIES UNDER THE CCC EXPORT CREDIT SALES PROGRAM

COMMODITY	3/30/56-6/30/64	7/1/64-6/30/65	7/1/65-6/30/66	7/1/66-6/30/67	3/30/56-6/30/67
Barley	\$ 9,387,989	\$ 735,467	\$ 1,827,967	\$ 1,707,534	\$ 13,658,957
Beans	1,947,625				1,947,625
Butter	99,812	20,015	104,317		224,144
Corn	117,034,321	46,449,245	121,022,295	71,010,324	355,516,185
Cotton	40,131,673	28,047,902	16,069,348	38,362,395	122,611,318
Cottonseed Oil				964,780	964,780
Grain Sorghums	54,134,019	12,505,033	36,294,719	78,737,136	181,670,907
Gum Rosin	310,300				310,300
Non-fat Dry Milk	1,383,088				1,383,088
Oats	188,624				188,624
Rice	2,104,824	354,300	2,922,525	6,753,647	12,135,296
Soybean Oil			453,609	8,242,012	8,695,621
Tallow				1,333,789	1,333,789
Tobacco	11,512,985	236,734		15,881,491	27,631,210
Wheat	65,235,917	6,362,640	30,536,243	98,324,596	200,459,396
Wheat Flour			797,416	18,004,918	18,802,334
TOTALS	\$303,471,177	\$94,711,336	\$210,028,439	\$339,322,622	\$947,533,574

NOTE: Figures reflect minor adjustments.

PART II

THE METHODS OF DISPOSITION TO BE UTILIZED AND THE ESTIMATED QUANTITIES THAT CAN BE SOLD OR DISPOSED OF DURING THE SUCCEEDING TWELVE MONTHS

The methods of sales and dispositions to be utilized and the estimated quantities that can be moved during the succeeding 12 months in 1967-68 are given in tables on pages 18 through 30. These tables also reflect the estimated inventories as of June 30, 1968.

EXPLANATION OF COMMODITY TABLES

Line 1 of each commodity table shows the CCC inventory for that commodity as of June 30, 1967.

Line 2 gives the estimated amount of the commodity which will come into CCC inventory between July 1, 1967, and June 30, 1968.

Line 3 is the sum of lines 1 and 2 and shows the total CCC supplies expected to be available for sale or other disposition during the year-July 1, 1967, through June 30, 1968.

The estimated sales and dispositions through the various methods described in Part I and Appendix I for the Fiscal Year 1968 are given in lines under item 4. A word of explanation is offered concerning dollar sales (line 4 A) and payment-in-kind dispositions. Dollar sales estimates, whether export or domestic, are limited to sales from CCC stocks. Quantities shown for payment-in-kind dispositions likewise come from CCC stocks.

The sales under Title I shown in the tables are payments-in-kind made available from CCC stocks or Title I transactions.

Dispositions under item 4 are all made from CCC stocks.

Line 5 shows the estimated remaining CCC inventory as of June 30, 1968.

The United States Code citations for the various legal authorities briefly cited in these tables are as follows:

P. L. 480, Title I	7 U.S.C. 1701-1709
P. L. 480, Title II	7 U.S.C. 1721-1724
P. L. 480, Title IV	7 U.S.C. 1731-1736
Section 407	7 U.S.C. 1427
Section 416	7 U.S.C. 1431
Section 202	7 U.S.C. 1446a
Section 402	22 U.S.C. 1922
Section 32	7 U.S.C. 612c
Section 308	7 U.S.C. 1697

COTTON

	Bales	
	Upland	Extra Long Staple
1. CCC Inventory 6/30/67	6,713,979	124,328
2. Acquisition 7/1/67 - 6/30/68	1,386,000	21,700
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	8,099,979	146,028
4. <u>Estimated Dispositions from CCC Inventory</u> <u>7/1/67 - 6/30/68:</u>		
A. Sales for Dollars:		
1. Domestic	6,000,000	
2. Export		30,028
B. Payment-in-Kind		
C. Barter (Export)		
D. PL 480: Title II, Foreign Donations		
E. Donations (Domestic)		
F. Total Dispositions	6,000,000	30,028
5. Estimated CCC Inventory 6/30/68	2,099,979	116,000

BARLEY

	Bushels
1. CCC Inventory 6/30/67	5,937,445
2. Acquisition 7/1/67 - 6/30/68	3,000,000
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	8,937,445
4. <u>Estimated Dispositions from CCC Inventory</u> <u>7/1/67 - 6/30/68:</u>	
A. Sales for Dollars:	
1. Domestic	975,000
2. Export	2,925,000
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	
E. Donations (Domestic)	
F. Total Dispositions	3,900,000
5. Estimated CCC Inventory 6/30/68	5,037,445

DRY EDIBLE BEANS

	Hundredweight
1. CCC Inventory 6/30/67	1,788,519
2. Acquisition 7/1/67 - 6/30/68	
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	1,788,519
4. <u>Estimated Dispositions from CCC Inventory</u> 7/1/67 - 6/30/68:	
A. Sales for Dollars:	
1. Domestic	800,000
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	400,000
E. Donations (Domestic)	588,519
F. Total Dispositions	1,788,519
5. Estimated CCC Inventory 6/30/68	

CORN

	Bushels
1. CCC Inventory 6/30/67	141,020,280
2. Acquisition 7/1/67 - 6/30/68	17,000,000
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	158,020,280
4. <u>Estimated Dispositions from CCC Inventory</u> 7/1/67 - 6/30/68:	
A. Sales for Dollars:	
1. Domestic	2,000,000
2. Export	4,000,000
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	2,000,000
E. Donations (Domestic)	
F. Total Dispositions	8,000,000
5. Estimated CCC Inventory 6/30/68	150,020,280

CORN PRODUCTS

	Pounds
1. CCC Inventory 6/30/67	5,386,724
2. Acquisition 7/1/67 - 6/30/68	327,500,000
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	332,886,724
4. Estimated Dispositions from CCC Inventory 7/1/67 - 6/30/68:	
A. Sales for Dollars:	
1. Domestic	
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	197,900,000
E. Donations (Domestic)	134,986,724
F. Total Dispositions	332,886,724
5. Estimated CCC Inventory 6/30/68	

FLAXSEED

	Bushels
1. CCC Inventory 6/30/67	4,552,980
2. Acquisition 7/1/67 - 6/30/68	
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	4,552,980
4. Estimated Dispositions from CCC Inventory 7/1/67 - 6/30/68:	
A. Sales for Dollars:	
1. Domestic	3,870,000
2. Export	682,980
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	
E. Donations (Domestic)	
F. Total Dispositions	4,552,980
5. Estimated CCC Inventory 6/30/68	

GRAIN SORGHUMS

	Bushels
1. CCC Inventory 6/30/67	194,263,959
2. Acquisition 7/1/67 - 6/30/68	13,000,000
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	207,263,959
4. <u>Estimated Dispositions from CCC Inventory 7/1/67 - 6/30/68:</u>	
A. Sales for Dollars:	
1. Domestic	800,000
2. Export	20,500,000
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	9,000,000
E. Donations (Domestic)	
F. Total Dispositions	30,300,000
5. Estimated CCC Inventory 6/30/68	176,963,959

OATS

	Bushels
1. CCC Inventory 6/30/67	47,190,871
2. Acquisition 7/1/67 - 6/30/68	15,000,000
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	62,190,871
4. <u>Estimated Dispositions from CCC Inventory 7/1/67 - 6/30/68:</u>	
A. Sales for Dollars:	
1. Domestic	23,700,000
2. Export	3,500,000
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	
E. Donations (Domestic)	
F. Total Dispositions	27,200,000
5. Estimated CCC Inventory 6/30/68	34,990,871

ROLLED OATS

	Pounds
1. CCC Inventory 6/30/67	70,548
2. Acquisition 7/1/67 - 6/30/68	138,900,000
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	138,970,548
4. Estimated Dispositions from CCC Inventory 7/1/67 - 6/30/68:	
A. Sales for Dollars:	
1. Domestic	
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	110,000,000
E. Donations (Domestic)	28,970,548
F. Total Dispositions	138,970,548
5. Estimated CCC Inventory 6/30/68	

RICE

	Hundredweight	
	Rough	Milled
1. CCC Inventory 6/30/67	140,239	
2. Acquisition 7/1/67 - 6/30/68	400,000	1,060,000
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	540,239	1,060,000
4. Estimated Dispositions from CCC Inventory 7/1/67 - 6/30/68:		
A. Sales for Dollars:		
1. Domestic	300,000	
2. Export		
B. Payment-in-Kind		
C. Barter (Export)		
D. PL 480: Title II, Foreign Donations		
E. Donations (Domestic)		1,060,000
F. Total Dispositions	300,000	1,060,000
5. Estimated CCC Inventory 6/30/68	240,239	

RYE

	Bushels
1. CCC Inventory 6/30/67	7,341,950
2. Acquisition 7/1/67 - 6/30/68	1,000,000
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	8,341,950
4. <u>Estimated Dispositions from CCC Inventory</u> <u>7/1/67 - 6/30/68:</u>	
A. Sales for Dollars:	
1. Domestic	3,000,000
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	
E. Donations (Domestic)	
F. Total Dispositions	3,000,000
5. Estimated CCC Inventory 6/30/68	5,341,950

SOYBEANS

	Bushels
1. CCC Inventory 6/30/67	531
2. Acquisition 7/1/67 - 6/30/68	7,400,000
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	7,400,531
4. <u>Estimated Dispositions from CCC Inventory</u> <u>7/1/67 - 6/30/68:</u>	
A. Sales for Dollars:	
1. Domestic	
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	
E. Donations (Domestic)	
F. Total Dispositions	
5. Estimated CCC Inventory 6/30/68	7,400,531

WHEAT

	Bushels
1. CCC Inventory 6/30/67	123,550,925
2. Acquisition 7/1/67 - 6/30/68	143,900,000
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	267,450,925
4. <u>Estimated Dispositions from CCC Inventory</u> <u>7/1/67 - 6/30/68:</u>	
A. Sales for Dollars:	
1. Domestic	16,416,000
2. Export	5,184,000
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	45,900,000
E. Donations (Domestic)	
F. Total Dispositions	67,500,000
5. Estimated CCC Inventory 6/30/68	199,950,925

ROLLED WHEAT

	Pounds
1. CCC Inventory 6/30/67	477,737
2. Acquisition 7/1/67 - 6/30/68	136,500,000
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	136,977,737
4. <u>Estimated Dispositions from CCC Inventory</u> <u>7/1/67 - 6/30/68:</u>	
A. Sales for Dollars:	
1. Domestic	
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	107,000,000
E. Donations (Domestic)	29,977,737
F. Total Dispositions	136,977,737
5. Estimated CCC Inventory 6/30/68	

WHEAT FLOUR

	Pounds
1. CCC Inventory 6/30/67	3,904,311
2. Acquisition 7/1/67 - 6/30/68	1,509,600,000
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	1,513,504,311
4. <u>Estimated Dispositions from CCC Inventory</u> <u>7/1/67 - 6/30/68:</u>	
A. Sales for Dollars:	
1. Domestic	
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	1,050,000,000
E. Donations (Domestic)	463,504,311
F. Total Dispositions	1,513,504,311
5. Estimated CCC Inventory 6/30/68	

BULGUR

	Pounds
1. CCC Inventory 6/30/67	4,484,423
2. Acquisition 7/1/67 - 6/30/68	350,500,000
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	354,984,423
4. <u>Estimated Dispositions from CCC Inventory</u> <u>7/1/67 - 6/30/68:</u>	
A. Sales for Dollars:	
1. Domestic	
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	350,000,000
E. Donations (Domestic)	4,984,423
F. Total Dispositions	354,984,423
5. Estimated CCC Inventory 6/30/68	

HONEY

	Pounds
1. CCC Inventory 6/30/67	3,159,830
2. Acquisition 7/1/67 - 6/30/68	2,700,000
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	5,859,830
4. Estimated Dispositions from CCC Inventory 7/1/67 - 6/30/68:	
A. Sales for Dollars:	
1. Domestic	3,159,830
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	
E. Donations (Domestic)	
F. Total Dispositions	3,159,830
5. Estimated CCC Inventory 6/30/68	2,700,000

BUTTER AND BUTTER OIL

	Pounds	
	Butter	Butter Oil
1. CCC Inventory 6/30/67	154,538,969	
2. Acquisition 7/1/67 - 6/30/68	255,000,000	
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	409,538,969	
4. Estimated Dispositions from CCC Inventory 7/1/67 - 6/30/68:		
A. Sales for Dollars:		
1. Domestic		
2. Export		
B. Payment-in-Kind		
C. Barter (Export)		
D. PL 480: Title II, Foreign Donations		
E. Donations (Domestic)	177,000,000	
F. Total Dispositions	177,000,000	
5. Estimated CCC Inventory 6/30/68	232,538,969	

CHEESE AND GHEE

	Pounds	
	Cheese	Ghee
1. CCC Inventory 6/30/67	41,544,873	
2. Acquisition 7/1/67 - 6/30/68	132,000,000	
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	173,544,873	
4. <u>Estimated Dispositions from CCC Inventory 7/1/67 - 6/30/68:</u>		
A. Sales for Dollars:		
1. Domestic		
2. Export		
B. Payment-in-Kind		
C. Barter (Export)		
D. PL 480: Title II, Foreign Donations		
E. Donations (Domestic)	109,000,000	
F. Total Dispositions	109,000,000	
5. Estimated CCC Inventory 6/30/68	64,544,873	

NONFAT DRY MILK

	Pounds	
1. CCC Inventory 6/30/67	76,302,097	
2. Acquisition 7/1/67 - 6/30/68	695,000,000	
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	771,302,097	
4. <u>Estimated Dispositions from CCC Inventory 7/1/67 - 6/30/68:</u>		
A. Sales for Dollars:		
1. Domestic	1,000,000	
2. Export	50,000,000	
B. Payment-in-Kind		
C. Barter (Export)		
D. PL 480: Title II, Foreign Donations	400,000,000	
E. Donations (Domestic)	136,000,000	
F. Total Dispositions	587,000,000	
5. Estimated CCC Inventory 6/30/68	184,302,097	

LINSEED OIL

	Pounds
1. CCC Inventory 6/30/67	80,000,000
2. Acquisition 7/1/67 - 6/30/68	
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	80,000,000
4. <u>Estimated Dispositions from CCC Inventory 7/1/67 - 6/30/68:</u>	
A. Sales for Dollars:	
1. Domestic	
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	
E. Donations (Domestic)	
F. Total Dispositions	
5. Estimated CCC Inventory 6/30/68	80,000,000

VEGETABLE OIL PRODUCTS

	Pounds
1. CCC Inventory 6/30/67	4,659,508
2. Acquisition 7/1/67 - 6/30/68	250,000,000
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	254,659,508
4. <u>Estimated Dispositions from CCC Inventory 7/1/67 - 6/30/68:</u>	
A. Sales for Dollars:	
1. Domestic	
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	254,659,508
E. Donations (Domestic)	
F. Total Dispositions	254,659,508
5. Estimated CCC Inventory 6/30/68	

PEANUTS

Pounds

	Farmer's Stock	Shelled
1. CCC Inventory 6/30/67	57,129	84,573,619
2. Acquisition 7/1/67 - 6/30/68		192,000,000
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	57,129	276,573,619
4. <u>Estimated Dispositions from CCC Inventory</u> <u>7/1/67 - 6/30/68:</u>		
A. Sales for Dollars:		
1. Domestic	57,129	165,120,000
2. Export		26,880,000
B. Payment-in-Kind		
C. Barter (Export)		
D. PL 480: Title II, Foreign Donations		
E. Donations (Domestic)		
F. Total Dispositions		192,000,000
5. Estimated CCC Inventory 6/30/68		84,573,619

TOBACCO

Pounds

1. CCC Inventory 6/30/67	
2. Acquisition 7/1/67 - 6/30/68	34,500,000
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	34,500,000
4. <u>Estimated Dispositions from CCC Inventory</u> <u>7/1/67 - 6/30/68:</u>	
A. Sales for Dollars:	
1. Domestic	
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	34,500,000
D. PL 480: Title II, Foreign Donations	
E. Donations (Domestic)	
F. Total Dispositions	34,500,000
5. Estimated CCC Inventory 6/30/68	

TUNG OIL

	Pounds
1. CCC Inventory 6/30/67	12,707,017
2. Acquisition 7/1/67 - 6/30/68	8,000,000
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	20,707,017
4. <u>Estimated Dispositions from CCC Inventory</u> <u>7/1/67 - 6/30/68:</u>	
A. Sales for Dollars:	
1. Domestic	20,707,017
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	
E. Donations (Domestic)	
F. Total Dispositions	20,707,017
5. Estimated CCC Inventory 6/30/68	

ALTERNATIVE SOURCES OF PROTEIN

	Pounds
1. CCC Inventory 6/30/67	
2. Acquisition 7/1/67 - 6/30/68	400,000,000
3. Total available for sale or other disposition during FY 1968 (line 1 plus line 2)	400,000,000
4. <u>Estimated Dispositions from CCC Inventory</u> <u>7/1/67 - 6/30/68:</u>	
A. Sales for Dollars:	
1. Domestic	
2. Export	
B. Payment-in-Kind	
C. Barter (Export)	
D. PL 480: Title II, Foreign Donations	400,000,000
E. Donations (Domestic)	
F. Total Dispositions	400,000,000
5. Estimated CCC Inventory 6/30/68	

PART III

PROGRAM FOR THE EXPANSION OF MARKETS FOR SURPLUS AGRICULTURAL

COMMODITIES THROUGH MARKETING AND UTILIZATION RESEARCH

AND IMPROVEMENT OF MARKETING FACILITIES

This part of the report contains examples of accomplishments in USDA research that may be of special interest to the Congress.

UTILIZATION RESEARCH AND DEVELOPMENT

A. Corn-Soya Milk (CSM) Blended Food Product

Corn-soya-milk (CSM) blended food product, a balanced food intended as a dietary supplement for children, was developed cooperatively by industrial and Department scientists for donation overseas through programs of voluntary agencies, AID, and UNICEF. Department scientists conducted extensive processing, storage, analytical, and organoleptic tests on CSM which resulted in specifications for all purchases. These specifications are the basis for the official inspection and insure a product having uniform quality and characteristics. As of August 1967, over 275 million pounds of CSM have been purchased for distribution in 90 foreign countries.

B. Demand for "Cotton Flote" Now Exceeds Supply

Cotton Flote--the outstanding cotton batting product developed by Department scientists in cooperation with the Textile Waste Association, the National Cottonseed Products Association, the National Batting Institute, and the Foundation for Cotton Research and Education of the National Cotton Council--has been so enthusiastically accepted by industry that the demand for the product now exceeds the supply of the raw material. Twenty-two companies are licensed to produce the new chemically-treated batting, and at least twelve are either in production or installing the process in their plants. Current production is estimated to be in excess of four million pounds per year. The new batting is currently being used by two major U.S. automobile manufacturers for cushioning; by another firm for insulation in auto trailers and trailer trucks; by at least two bedding companies for high-grade mattresses; and by a segment of the furniture industry for cushioning applications. Cotton Flote appears to have excellent potential for further growth in cushioning markets, with a potential usage of one and a half million bales of cotton linters and textile wastes annually.

C. Commercialization of Partially Defatted Peanuts Advances Rapidly

Industry sources have predicted that partially defatted peanuts, a new food product from Department research, will set off "the biggest advance in peanut consumption since man cracked open his first peanut shell." Most of the oil is removed from the peanuts by mechanical pressing; the pressed peanuts are then swollen in hot water, removed from the water, and roasted. Ten companies are already actively involved in various phases of commercialization of the new product: four are commercially producing it; one is producing pressed peanuts for use in making the product; two are conducting and one planning market tests; and two are considering developing products for commercial production. In addition to consumer appeal as a delicious and nutritious snack with reduced calories, the partially defatted peanuts may be useful as an ingredient in other processed and convenience foods and also appear to have potential as a rich source of protein.

D. Macromolecules in Cigarette Smoke

In Department studies on the relationship between cigarette smoking and health, an unusual and complex material--a pigment of very high molecular weight--has been isolated from cigarette smoke. The pigment contains iron, chlorogenic acid, at least 18 amino acids, a silicone material, and several alkaloids, including nicotine. The pigment is the first reported instance of the presence in tobacco smoke of nicotine or other alkaloids in a component of high molecular weight. There is evidence that the smoke pigment comes from a pigment in the tobacco leaf. This unexpected finding of this high molecular weight component is exemplary of the type of fundamental information that will serve as a basis for development of safer smoking products.

E. Commercial Use of Foam-Spray Drying for Skim Milk

Foam-spray drying, a technique in which air or some other inert gas is injected into the high pressure liquid-feed line of a spray dryer, has now been applied to the commercial-scale manufacture of nonfat dry milk. In the dryer the gas-liquid-feed mixture is "puffed" into foamed droplets which dry as expanded particles. This product is marketed as an "instant milk powder," as it can be quickly dispersed in water. A large Connecticut firm recently began making 400,000 pounds of instant powder per year. At least two California milk cooperatives produce foam-spray dried instant powders for fortifying regular skim milk in the manufacture of cottage cheese and dietary skim milk products. The application of the foam-spray process to the making of dry mixes, specialty products and animal feeds has also been commanding commercial interest. The elimination of the separate instantizing step provides substantial savings in both capital and operating costs over conventional instantizing equipment.

F. Industrial Chemicals from Surplus Fats

Department scientists have perfected several chemical reactions which yield a variety of industrially valuable aromatic compounds from the oleic acid in surplus tallow. For example, phenylstearic acid is a viscous oil which remains liquid over a wide temperature range (-50° to $+300^{\circ}$ C). It is a good lubricant and surface-active agent. The properties of another compound, hydroxyphenylstearic acid, make it useful in lubricants, antioxidants, plasticizers and resin intermediates. Two large chemical corporations have developed industrial processes for making these materials. Phenylstearic acid is expected to sell at 28-33 cents a pound, and hydroxyphenylstearic acid at 35-40 cents a pound. Within a few years, millions of pounds of phenylstearic acid will find use in the lubricant field alone.

EXPANDING DOMESTIC MARKETS

A. Product Innovations and Industrial Uses

Marketing economics research plays a vital role in developing markets for agricultural products. Studies are made of the market potentials for new products to provide data on demand essential to commercial adoption. Studies are also made of market requirements for raw materials in terms of costs and performance to assist in the direction of Laboratory research.

Results of an institutional product test of foam spray-dried milk indicated that such milk is acceptable for beverage use by food managers. Current milk use and handling practices, health regulations, and cost can be expected to have an influence on the market possibilities for the product.

An evaluation of the economics of new feed ingredients developed by utilization research was made. A linear programming matrix was adapted for determining the quantity of new feed materials meeting the formula requirements for different animal rations at least cost within the price ranges of the feed materials. Initial attention was given to alfalfa meals of differing protein contents. Eventually, consideration will be given to safflower meal, detoxified castor bean meal, and mill feeds.

A study of cereal starch in textile processing indicates that its main competitive strength is in warp yarn sizing in woven goods where about 80 percent (or 350 million pounds) of all starch in textiles is used. Population growth and increasing per capita incomes have a positive affect on the demand for starch in textiles. Also exerting positive influence are the trends toward (1) production of more spun-fiber synthetic materials for which starch is used in sizing and (2)

greater production of blended yarns which require a relatively large add-on of sizing material. Negative influences include competition from nontextile materials and the replacement of woven textiles by knit goods and bonded fiber fabrics.

Competition from synthetic materials continues strong. Market growth rates and the market shares attributable to farm commodities and to synthetics in soaps and detergents, textile fibers, glycerine, protein feed, sweeteners, shoes, perfumes, flavors, and ethyl alcohol were analyzed. In each, agriculture's share shows a lesser growth rate than synthetic competitors. This emphasizes the need to improve the properties of farm derived materials to make them more competitive and to develop new uses for products being displaced.

B. Institutional Markets and Food Distribution Programs

Data are being made available for the first time to help in assessing and developing the huge "away-from-home" eating markets. More than 200 commodity groups, associations and firms joined with the Department in financing surveys of the restaurant and institutional food service market. The study revealed that food service is available in 371,000 establishments. About 3.3 million persons man these outlets in which more than 100 million individual consumer transactions take place daily. The annual retail value of foods and nonalcoholic beverages sold is about 22 billion dollars. Additional information on food procurement practices, quantities of individual foods sold to the different outlets, and value will be made available as the study progresses.

Economic research is being expanded to assist the National School Lunch, Food Stamp, and Commodity Distribution Programs to meet their objectives as effectively and efficiently as possible. A special survey was conducted in the Mississippi Delta to determine the extent of food needs, how they were being met through the Food Stamp and Commodity Distribution Programs, and means by which unmet food needs among low income families could be supplied. With few exceptions, eligible persons were participating in the Commodity Distribution Program, while less than half the persons eligible were receiving food stamps. Recommendations to enhance participation in the Food Stamp Program already have been incorporated in program operations.

C. Promotional Program for Farm Products

Trends in the amounts of money agricultural commodity groups spend to promote farm products continue to rise. Expenditures rose from 67 million dollars in 1958 to 92 million in 1963. In 1967 it is estimated that such expenditures will be over 100 million dollars. Research is underway to assist these groups to achieve maximum results from their promotion dollars. A careful appraisal of past research is being made

to develop principles for determining which types of products respond most to promotion, the level of funds required for maximum response, and the design of campaigns to insure trade participation.

IMPROVEMENT OF MARKETING FACILITIES

Food products of the farm move through a succession of facilities to assemble, store, prepare, process, transport, and distribute them on their way to consumers. Many of the facilities being used are inefficient, inadequate, outdated, poorly designed, in the wrong locations, or not equipped in other ways to serve efficiently. Such shortcomings tend to increase the spread between the price received by farmers and that paid by consumers. Because of the widespread influence of the facilities used in marketing on producers, handlers, and consumers, public guidance and research assistance is necessary in planning, improving, and promoting the construction of modern marketing facilities.

In response to specific requests, plans were developed for improving many kinds of facilities. In producing areas, the facilities planned included egg assembly plants, poultry processing plants, fruit and vegetable packinghouses, livestock slaughtering plants, dairy plants, and grain elevators. In transportation, efforts were concentrated on improving the efficiency of moving products by rail, truck, water, and air. Considerable attention was given to the development of containerized transportation. Development of plans for modern centers of food distribution in large cities was emphasized.

Studies were completed which led to the development of plans for new facilities in Baltimore, and a report was published for Chicago. Studies in Dayton and Honolulu are nearing completion. New studies were initiated in Cincinnati, Denver, Salt Lake City, and Oakland. Research work was completed under contract to determine the most efficient and least costly refrigeration systems in specific situations in wholesale food distribution centers. New research was initiated under contract to determine the optimum annual volume of product that can be handled by specific kinds of wholesale food firms operating in specific kinds and sizes of facilities. This research will also determine efficient operation layouts for wholesalers as well as parking space requirements. Additional work is underway providing technical assistance to wholesalers in new markets built, under construction, or in the planning stage. Pilot demonstrations and seminars were conducted for the wholesalers so that they might develop modern operations that will maximize the benefits of their new facilities. This technical assistance has been provided in Pittsburgh, Baltimore, New York, Boston, and Huntington, W. Va. Technical assistance was also given to the organizers, planners, and developers of new markets in Baltimore, New York, Pittsburgh, Boston, Milwaukee, Springfield, Mass., and Washington, D.C.

During the year 37 studies were made of marketing facilities located in the producing areas of 20 States. Of the total, 11 dealt with poultry and egg marketing facilities, five with livestock and meat, four with fruits and vegetables, five with dairy products, and 12 with various types of warehousing.

Research to improve transport facilities, equipment, and techniques was done to decrease the cost of moving agricultural and food products to domestic and overseas markets. Research to develop a multipurpose van container continued with tests made on a mock-up section of the van for intermodel transport of refrigerated and nonrefrigerated products by land, sea, and air. Work has begun on building a full-sized 40-foot prototype of this container which will be tested for performance capabilities. Work was completed on conversion systems for truck trailers designed for packaged freight to make them suitable also for hauling bulk agricultural products. Overseas transport tests continued with a number of products loaded in van containers at interior points in this country and unloaded at inland markets overseas. Some work was also done on transporting products overseas by air.

Considerable attention was given to determining or developing the kinds of handling equipment needed to minimize handling costs and damage to the products being handled.

In all of these efforts, the Department has not attempted to do all of the work itself; it has conducted all studies with the cooperation and support of firms engaged in these activities. It has pursued the policy of encouraging State agencies, distributors, and other private firms to undertake much work of this kind. The combined effect of all of these efforts is very significant in reducing the cost of food distribution.

FOREST PRODUCTS MARKETING AND UTILIZATION RESEARCH

The Forest Service conducts a continuing program of research at the Forest Products Laboratory and the Regional Experiment Stations to develop new uses and expand markets for wood. Emphasis is given to utilization and marketing of surplus low-quality timber, little-used species, and unused residues. Examples of recent work are as follows:

Wood has advantages of cost, strength, and durability over other materials commonly used for highway guardrail posts. However, wood posts are seldom used in new highway construction because steel posts can be installed $2\frac{1}{2}$ to 3 times as fast as wood posts can be set by conventional methods. Steel posts are driven into the ground, but wood posts are ordinarily set in augered holes, backfilled, and tamped by hand. Research, in cooperation with a guardrail subcontractor and an equipment

manufacturer, has resulted in development of a machine that can drive wood posts at a rate competitive to that for steel posts. Using this new machine, the installed cost of treated wood posts is \$1 to \$3.25 less than that for steel. Concurrent studies are developing strength data for several species of wood posts. This will enable highway engineers to design wooden guardrails, fences, and highway signs for greater safety of the motoring public. Expanded use of wooden posts will provide outlets for small, short logs and sawn timbers.

Pulping and papermaking experiments demonstrated the suitability of a mixture of 80 percent Appalachian hardwood and 20 percent Appalachian softwood for the manufacture of sanitary tissues and toweling. Facial tissue produced from this mixture was comparable to commercial grades in brightness, strength, softness and absorbency. Toilet tissue had higher strength and absorbency but was less soft than commercial grades. Desired softness could be obtained, however, at a sacrifice of some of the excess strength. Toweling had equal absorbency, slightly lower softness, and higher wet and dry tensile strength than commercial products. These experiments provided knowledge needed to encourage production of these products in or near Appalachia where large quantities of little-used hardwood species are available close to large markets. A single sanitary pulp and papermill making 500 tons per day, and using at least 50 percent hardwoods, would utilize about 500 cords of hardwood per day. A mill of this type, and its associated harvesting operations, would provide employment for about 1000 people (most of them unskilled or semiskilled), produce products having a total value of at least \$100,000 per day, and provide an outlet for the currently under-utilized low-grade, second growth timber common throughout the area.

Particleboard has many potential exterior applications in residential and other construction. However, it must be able to withstand cyclical changes in moisture content from exposure to the weather if it is to satisfy the market demands and be competitive with other materials. Research showed that use of particles with certain characteristics, combined with surface treatments, might lead to satisfactory performance in exterior applications. Painting, overlaying with paper, and treatment with water repellents were all effective in increasing the weather resistance of particleboard. Results of this research will be useful to industry in developing exterior particleboards to meet consumer needs, which would generate greater demand for wood residues and underutilized grades and species of timber.

The efficiency of air-drying and the quality of air-dried lumber are important to both lumber producers and users. Poor air drying practices cause seasoning defects that lower the grade and value of lumber, reduce income to lumber producers, and increase remanufacturing costs of users. A study of commercial air drying practices at central

Appalachian sawmills found an average loss from degrade of red oak of approximately 10 percent of lumber value. The most important defects were checks and splits. Significant financial losses result from poor commercial lumber drying practices. In the hardwood areas alone, application of existing research knowledge could produce an estimated net annual gain of \$56 million for the lumber industry and its customers.

FARMER COOPERATIVES

Farmer cooperatives continued to develop and expand markets for agricultural commodities, including surplus products at home and abroad. In foreign markets, cooperatives sharply increased their sales activities, including participation in trade fairs and other promotional events.

Nineteen regional grain cooperatives, owned by about 1,600 local elevators, formed an export company which has exported millions of bushels of grain and oilseeds to about 40 countries around the world. Cooperative export elevators now exist at Charleston, S.C., Toledo, Saginaw, Chicago, Superior, Kalama, Wash., Corpus Christi, and Houston. Construction is underway at New Orleans.

Farmers Export Company, another group whose membership consists of seven regional cooperatives in the midwest and southeast, is building an export elevator for grain at New Orleans.

Farmer Cooperative Service continues to work with a group of 23 soybean and cottonseed oilseed cooperatives in establishing a joint sales agency to market oil and meal domestically and in the foreign market.

The Arkansas Grain Corporation, Stuttgart, recently doubled its capacity for processing soybeans. Much of the oil and meal produced moves into export markets for distribution around the world.

Minnesota Linseed Oil Company processes several million bushels of flax each year and a considerable portion of their production of linseed oil and meal is exported.

Cotton Producers Association, Atlanta, Ga., has expanded its overseas office in Brussels for market development and sales promotion of pecans, peanuts, poultry, grain and cotton. It has participated in food fairs in Germany, England, Japan, Austria, Switzerland, Holland, and France. These activities are bringing in expanded foreign sales.

Cotton marketing cooperatives advertise extensively in foreign cotton trade journals and cooperate in advertising cotton to consumers. They have sales offices or agents in major cotton importing countries to help buyers obtain the quality of U.S. cotton that best suits their needs. They export around 1.5 million bales of cotton annually.

PROMOTION OF EXPORTS

The government-industry foreign market development program assisted in establishing record levels of agricultural exports during the past year. Both total agricultural exports and commercial shipments reached all-time highs in fiscal year 1967 of \$6.8 billion and \$5.2 billion, respectively.

The program covers virtually every agricultural commodity and product in world trade and includes cooperative projects with many trade and agricultural groups and promotion activities with commercial processors of food products.

Major developments during the year included:

U.S. sponsored promotions were conducted at nearly 15,000 retail food stores in Japan, the United Kingdom, the Philippines, Sweden, West Germany, France, Belgium, and the Netherlands. The wholesale value of U.S. agricultural products purchased for these promotions totaled about \$3.8 million. Over 20 million foreign consumers were exposed to displays of U.S. food and farm products during these special in-store promotional events.

One U.S. market development cooperator, Cotton Council International, took leadership in formation of the International Institute for Cotton, an eight-nation organization which has launched a large scale promotional program to help cotton compete with man-made fibers.

Increased activity by State governments helped increase the impact of the program. More than a dozen States participated in Department-sponsored food exhibits at trade shows abroad, and even more are expected at a major exhibit the Department plans in Tokyo in the spring of 1968.

Exports of feed grains were at record levels, and became the number one dollar earner for all U.S. exports, including industrial products. The U.S. Feed Grains Council, a market development cooperator, assisted this development through educational programs to inform foreign trade and farm groups about proper livestock feeding and use of American feed grains in livestock feeds.

Exports to Japan reached a level of nearly \$1 billion, assisted in large part by activities of Western Wheat Associates, the American Soybean Association, U.S. Feed Grains Council, National Renderers Association, Institute of American Poultry Industries, and other cooperators participating in the market development program.

PART IV

RECOMMENDATIONS FOR ADDITIONAL LEGISLATION NECESSARY TO

ACCOMPLISH THE PURPOSES OF THIS SECTION

The Department has no legislative recommendations to submit at this time, but proposals may be submitted at a later date.

APPENDIX I

LEGISLATIVE AUTHORITIES FOR CCC DISPOSITION METHODS

(Fiscal Year 1967)

1. DOLLAR SALES

Domestic

Section 407 of the Agricultural Act of 1949, as amended, places certain restrictions on domestic sales of CCC-owned commodities. Under this section the general rule is that CCC may not sell for unrestricted use any basic agricultural commodity or storable non-basic commodity at less than five percent above the current support price plus reasonable carrying charges.

The Agricultural Act of 1964 permits the delivery of cotton at the market price in exchange for payment-in-kind certificates issued with respect to the 1964 and 1965 crops of cotton and rights purchased in the pool of such certificates. The Food and Agriculture Act of 1965 permits the delivery of cotton at not less than the current loan rate in exchange for payment-in-kind certificates issued with respect to the 1966-69 crops of cotton and rights in the pool of such certificates.

Public Law 88-26 permits CCC to deliver feed grains, valued at not less than the current loan rate plus reasonable carrying charges, in redemption of payment-in-kind certificates issued under the 1964 and 1965 feed grain diversion and price support programs.

Export

Section 407 of the Agricultural Act of 1949, as amended, authorizes the sales of CCC-owned commodities for export without price restriction. Sales for export include sales made on condition that commodities of the same kind of comparable value or quantity be exported in raw or processed form.

Specific authorities with respect to export sales of cotton are as follows:

1. Section 203 of the Agricultural Act of 1956 directs CCC to encourage the export of cotton by offering to make cotton available at prices not in excess of the level of prices at which cotton of comparable qualities is being offered in substantial quantities by other exporting countries. Such quantities of cotton are to be sold as will re-establish and maintain the fair historical share (as determined by the Secretary of Agriculture) of the world market for U.S. cotton.

2. Public Law 88-638 directs CCC to make available for sale for export, domestic extra long staple cotton acquired through price support operations at prices not in excess of prices at which cotton of comparable qualities is being offered by other exporting countries.

CCC Export Credit Sales Program

Under authority of Section 4 of Public Law 89-808, CCC now provides export financing of commodities from privately owned stocks. Exporters are paid in cash, rather than payment-in-kind certificates, after export upon presentation of documents. CCC export financing is accomplished through the purchase of the exporters' accounts receivable. Other basic provisions of the program have been continued. The maximum period of deferred payment is still three years and the general policy of limiting credit periods to 12 months for cotton and tobacco and 6 months for all other commodities has been retained. Written justification in accordance with criteria set forth in the credit regulations, GSM-4, must be made for exceptions to this policy. Interest is charged at the applicable rate announced each month by CCC and runs for the length of the credit period. All financing arrangements are made with private U.S. exporters who in turn sell and pass on credit to the foreign buyers. A standby-type letter of credit assuring payment from an acceptable foreign or U.S. bank is required for all transactions. If the letter of credit is issued by a foreign bank, it must be confirmed for commercial risks at least 10 percent and be fully advised by a U.S. bank. United States banks issuing letters of credit covering CCC credit financing assume political as well as commercial risks.

Title I, Public Law 480

Effective January 1, 1967, important new amendments to Public Law 480 altered the purpose and the structure of the legislation. A principal change is that the financing methods and procedures for sales for foreign currencies (formerly Title I) and sales for dollars on credit terms (formerly Title IV) are combined in Title I of the new legislation. A major purpose of the new legislation is to encourage developing countries to provide more of their food requirements from their own sources and their own efforts.

Under the dollar credit sales authority of Title I, as amended, the President may enter into long-term supply and credit arrangements with the governments of friendly nations and the Secretary of Agriculture may enter into similar agreements with the U.S. or foreign private trade.

To be eligible for export under a dollar credit sales agreement, the commodity needs no longer to be declared in "surplus" to be eligible for shipment under a PL 480 program. However, "no commodity shall be available for disposition under this act if such disposition would reduce the domestic supply of such commodity below that needed to meet domestic requirements, adequate carryover, and anticipated exports for dollars as determined by the Secretary of Agriculture at the time of exportation of such commodity". Eligible commodities need not necessarily be under CCC price support or in CCC inventory.

Program Policies

Country Eligibility. Although the legislation authorizes sales agreements with the government of any country friendly to the United States, government-to-government agreements are, as a general rule, limited to the less highly developed countries. Eligibility of any friendly country is generally determined on the basis of the country's financial status and its ability to undertake purchases of agricultural commodities on a dollar basis. Due consideration is given to the use of the commodities and credit in connection with the country's economic development, the ability of the country to purchase commodities under a PL 480 agreement without displacing commercial imports from the U.S. and other friendly supplying countries, and other relevant factors, such as "self-help" measures.

Supply Period. While the legislation provides that commodities may be supplied for periods of up to 10 years, as noted above they must be "available" at the time deliveries are to be made. Because of this requirement and the uncertainty as to future availability of any particular agricultural commodity, it has been the general policy to approve supply periods of only one year.

Payment Period, Payment Schedules, and Interest Rate. The legislation directs that payment for commodities purchased for dollars on credit shall be on terms as favorable to the United States as the economy of the recipient country will permit. Whenever practicable, the agreements must require that not less than 5 percent of the purchase price of the commodities be payable upon delivery in dollars or in currencies which can be converted into dollars. The legislation provides that payments in dollars may be made in reasonable annual amounts over periods not to exceed 20 years from the date of last delivery of commodities in each calendar year.

The initial payment of principal may be scheduled as late as two years after the date of last delivery of commodities in each calendar year after the agreement. Prepayment of principal and interest is permitted if the other government desires to retire the obligation at a faster rate.

Interest is paid at the same time as principal payments except that, when the first installment payment on principal is scheduled to be made at the end of the maximum two year "grace period", the first payment of interest generally is scheduled to be made one year after the date of the last delivery of commodities. In the case of agreements with two year grace periods, the second payment of interest is made at the same time as the first payment on principal.

Agreements. Dollar credit sales agreements set forth the commodity composition, financing terms and conditions, general undertakings and other requirements. The agreements, as appropriate, include provisions to ensure that commercial exports of the United States will be maintained and that commodities which are supplied under the agreement do not unduly disrupt world prices or agricultural commodities or normal patterns of commercial trade with friendly countries. The sales agreement also provides that the commodities purchased under the agreement are for domestic consumption within the purchasing country and shall not be transshipped or re-exported. As appropriate, agreements also provide for limitations on exports of the same or like commodities, or primary products thereof, during the period covered by the agreement.

Negotiation of a dollar credit sales agreement includes a formal understanding that the two governments shall agree on the use of the local currency proceeds from the sale of the PL 480 commodities under the agreement. These understandings, particularly in those instances where interest rates are set at less than the cost of funds to the U.S. Treasury, generally would include specific understandings providing for mutual agreement with regard to interest rates and other terms of any relending to private or nongovernmental entities of the local currency proceeds from the sale of the commodities within the purchasing country.

B - Private Trade Agreements

Eligibility of Private Trade Entities

A private trade entity of the United States or of a foreign country friendly to the U.S., may participate in this program. The private trade entity which must be engaged in private enterprise or nongovernmental activity may be an individual, a partnership, a corporation, a cooperative, or an association. Agreements are entered into with the individual or organization which will utilize the benefits of the credit in carrying out the project under the agreement and which otherwise meets program requirements.

Eligibility of Countries

Under the dollar credit sales legislation exports of surplus agricultural commodities under a private trade agreement may be made to any nation friendly to the United States provided such exports do not displace cash sales which would otherwise be made. In the case of highly industrialized countries which are major commercial markets for the United States, it would be difficult, as a general rule, to establish that exports under a PL 480 private trade agreement would be additional to commercial sales. Therefore, it would be difficult to give favorable consideration to proposals involving export of agricultural commodities to such countries. Commodities under this program may be exported only to countries specified in the agreement and shall not be transshipped or re-exported.

Supply Periods

Supply periods are determined on a case-by-case basis and generally are not authorized for periods in excess of three years. Longer supply periods (within the maximum of 10 years as provided in the legislation) may be authorized where the commodity supply situation permits such longer-term programing and the specific proposal for such longer supply period is otherwise deemed essential to the accomplishment of the project and the purpose of the legislation.

Maintenance of Commercial Sales

The financing of commodities under a private trade agreement is conditioned on the maintenance of specified quantities of commercial imports into the destination country and the limitation of exports from such country of the same or like commodities. In the case of countries which are major commercial markets for the United States, it would be difficult, as a general rule, to establish that sales under a private trade agreement would be additional to commercial imports. Therefore, it is not contemplated that favorable consideration will be given to proposals involving the financing of the export of agricultural commodities to such countries.

Assurance of Payment

Payment to CCC of dollar amounts financed under the private trade agreement must be guaranteed by assurers (guarantors) acceptable to CCC. The guarantee shall be an irrevocable commitment by the guarantor that, in the event of default by the private trade entity in the payment of principal and interest due CCC or in carrying out of its other obligations under the agreement, the guarantor shall make appropriate payment of principal and interest to CCC.

Guarantors may be United States banks or financial institutions, foreign private banks or financial institutions located in a friendly country, central banks or governmental financial agencies or the governments of friendly nations.

Payment Period, Interest Rate and Payment Schedules

In accordance with Section 103 (k) of Public Law 480, as amended, agreements require payments on delivery of five percent of the purchase price of the commodity. The amount financed by CCC may be repaid over periods of not to exceed 20 years from the date of the last delivery of commodities in each calendar year, usually in equal annual installments, plus interest. The first installment is due on the date specified in the agreement. Such date can be no later than December 31 of the year following the calendar year in which the commodities are delivered. Subsequent annual installments are due on the anniversary dates of the first installment. Interest on principal amounts applicable to commodities delivered

in each calendar year is charged at rates of interest set at the cost of funds to the United States Treasury for comparable maturities. Interest accrues from the date of last delivery of commodities in each calendar year. Interest on the unpaid principal balance must be paid annually not later than the date on which the annual installment of principal is due.

Prepayment of principal and interest may be made by the private trade entity without penalty. Payment periods are established in relation to the project to be carried out by the private trade entity.

The Project

Private trade agreements provide for the development and execution of projects which will result in the establishment of facilities designed to improve the storage or marketing of agricultural commodities, or which will otherwise stimulate and expand private economic enterprise. Such projects are financed with funds derived from the sale or use of the financed commodities. Special consideration is given to the development and expansion of foreign markets for United States agricultural commodities, with appropriate emphasis on more adequate storage, handling and food distribution facilities as well as long-term development of new and expanded markets by encouraging economic growth.

Additional Information Available

Further information in regard to dollar credit sales program policies and procedures may be obtained from the Office of the General Sales Manager, Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C. 20250.

A copy of the Title I regulations may be obtained from the Program Operations Division, Foreign Agricultural Service, U.S. Department of Agriculture, Washington, D.C. 20250. Requests to be placed on the mailing list for announcements of agreements entered into and issuances of purchase authorizations thereunder should also be addressed to the Program Operations Division.

Section 32 Funds

Long standing authority for encouraging export is found in Section 32 of PL 320, 74th Congress, as amended, which was originally approved on August 24, 1935. This Act appropriates an amount equal to 30 percent

of gross customs receipts for each calendar year, for use in the succeeding fiscal year, to "encourage the exportation" and domestic consumption of agricultural commodities and for other purposes. Section 205 of the Agricultural Act of 1956 authorized the appropriation for each fiscal year, beginning with the fiscal year ending June 30, 1957, of \$500 million to enable the Secretary of Agriculture to further carry out the provisions of Section 32, subject to all provisions of law relating to the expenditure of funds appropriated by such Section, except the up to 50 percent of the \$500 million may be devoted during any fiscal year to any one agricultural commodity or the products thereof. Since January 1, 1950, a carry-over of up to \$300 million of unexpended funds has been authorized. Section 32 funds are required to be used principally for perishable "non-basic" commodities other than those receiving mandatory support under the 1949 Act.

Export programs under Section 32 are announced after the Secretary of Agriculture finds that a surplus exists. Export allowances are paid to commercial exporters following the export of privately-owned commodities. Only a small portion of the available Section 32 funds has been used for export allowances in recent years. During a portion of Fiscal Year 1967, Section 32 funds were utilized and are currently being utilized to encourage the export of frozen chickens.

2. BARTER

Without limiting the general authority contained in the Commodity Credit Corporation Charter Act several legislative authorities specifically cover barter by CCC of commodities for strategic materials or for certain other materials, goods, and equipment. Section 4(h) of the Charter Act authorizes the barter of CCC commodities for strategic and other materials produced abroad. Section 303 of the Agricultural Trade Development and Assistance Act of 1954, as amended, provides that the Secretary shall, whenever he determines that such action is in the best interest of the United States, and to the maximum extent practicable, barter or exchange agricultural commodities owned by the Commodity Credit Corporation for (a) such strategic or other materials of which the United States does not domestically produce its requirements and which entail less risk of loss through deterioration or substantially less storage charges as the President may designate, or (b) materials, goods, or equipment required in connection with foreign economic and military aid and assistance programs, or (c) materials or equipment required in substantial quantities for off-shore construction programs. Section 416 of the Agricultural Act of 1949, as amended, authorizes CCC to (a) make its commodities available to any federal agency for use in making payment for commodities not produced in the United States,

or (b) barter or exchange such commodities for strategic or other materials as authorized by law. Also see Public Law 765, 83rd Congress, as amended. 1/

Recently, a thorough review of the barter program was made by the Executive Stockpile Committee (membership appointed by the President). Based on recommendations by the Committee, and approved by the President greater emphasis than in the past will be given to the use of barter for the procurement of non-strategic-material items which meet approved program requirements of U.S. Government agencies within funds currently available or within procurement authority which extends over a period of years and for which dollars would normally be spent abroad.

3. SALES FOR FOREIGN CURRENCIES

Title I, Public Law 480, as amended, authorizes sales of U.S. surplus agricultural commodities for foreign currencies. These sales are made through private trade channels pursuant to Government-to-Government agreements with friendly nations. Public Law 88-638 extended Title I of PL 480 for an additional three years through December 31, 1966, but placed a limitation of \$2.5 billion for any one calendar year.

4. TRANSFERS AND DONATIONS

Domestic

There are a number of different authorities under which domestic transfers and donations are made. Purchases are made from private stocks and from CCC inventories under Section 32, Public Law 320, 74th Congress, as amended, and supplemented. This legislation authorizes the donations of agricultural commodities and products for relief and school lunch program purposes.

1/ Section 407, Public Law 765, 83rd Congress, as amended, authorizes the Secretary of Defense to construct or acquire by lease or otherwise family housing for occupancy as public quarters in foreign countries through the use of foreign currencies in accordance with provisions of PL 480, or through other commodity transactions of CCC. Reimbursement is made to CCC by the Department of Defense from savings in Quarters Allowance. Section 420 of Public Law 86-149 directs the Department of Defense in carrying out any project authorized by that Act or any other Military Construction Act, to utilize foreign currencies acquired under Public Law 480-83rd Congress to extent available and feasible in lieu of dollars and to reimburse Commodity Credit Corporation for any foreign currencies so utilized.

Section 416 of the Agricultural Act of 1949, as amended, authorizes CCC, in certain circumstances, to donate food commodities acquired through price support programs to the Bureau of Indian Affairs and to federal, state, and private agencies for use in the United States in non-profit school lunch programs and in the assistance of needy persons, and in charitable institutions, including hospitals, to the extent needy persons are served.

Clause (1) of Section 9 of the Act of September 6, 1958, authorizes areas under the jurisdiction of administration of the United States to receive from the Department of Agriculture for distribution, on the same basis as domestic distribution in the United States, surplus commodities donated pursuant to Section 32 of the Act of August 23, 1935, as amended, and Section 416 of the Agricultural Act of 1949, as amended.

Public Law 86-756, as amended by Public Law 87-179, authorizes schools receiving surplus foods from the Department for school lunch purposes to use such foods in training high school students in home economic courses. It also provides that such schools may use the donated surplus foods to train college students if the same facilities and instructors are used to train college students in home economic courses.

Section 407 of the Agricultural Act of 1949, as amended, directs CCC to make available farm commodities or products for use in relieving distress in areas determined by the President of the United States to be acute distress areas because of unemployment or other economic causes and also in connection with any major disaster determined by the President of the United States to warrant assistance under Public Law 875, 81st Congress.

Public Law 87-127 amended Section 407 to permit more expeditious relief, in that the Secretary can make feed owned or controlled by CCC available for foundation herds at not less than 75% of the current support price when it is determined by the Secretary that an emergency exists. Public Law 86-299 permits the sale of such feed in such areas at not less than the current support price for other livestock of persons who cannot obtain sufficient feed without undue financial hardship.

Public Law 654, 84th Congress, directs CCC to make available to the Secretary of Interior grains acquired through price support operations as the Secretary of Interior may requisition for the purpose of preventing crop damage by migratory waterfowl.

To the extent that such quantities are in excess of usual commercial purchases, Section 202 of the Agricultural Act of 1949, as amended,

directs CCC to make its stocks of dairy products available to the armed services and to veterans' hospitals without charge, except that such agencies shall pay CCC for the cost of packaging.

Section 210 of the Agricultural Act of 1956 authorizes CCC to donate food commodities acquired through price support programs to federal penal and correction institutions, and to State correction institutions for minors other than those in which food service is provided for on a fee, contract, or concessional basis.

Public Law 87-152 authorizes the Secretary of Interior to requisition grain from CCC for the purpose of feeding migratory birds when threatened with starvation and authorizes the use of CCC-owned grain by the States for emergency use in the feeding of resident game birds and other resident wildlife.

Foreign

Section 416 of the Agricultural Act of 1949, as amended, authorized CCC, in certain circumstances, to donate commodities acquired under the price support programs to non-profit voluntary agencies and to inter-governmental organizations for use in the assistance of needy persons and in non-profit school lunch programs outside the United States. This authority was repealed effective January 1, 1967, by the Food for Peace Act of 1966.

Clause (2) of Section 9 of the Act of September 6, 1958, authorized Commodity Credit Corporation to purchase products of oilseeds and edible oils and fats and the products thereof and to donate the same to non-profit voluntary agencies, other appropriate agencies of the Federal Government or international organizations for use in the assistance of needy persons and in non-profit school lunch programs outside the United States. This section was repealed effective January 1, 1967, by the Food for Peace Act of 1966.

Title II of the Agricultural Trade Development and Assistance Act of 1954, as amended, (Public Law 480) directs CCC to make available to the President of the United States surplus agricultural commodities for donation to friendly nations to meet famine or other urgent or extraordinary relief requirements of such nations, and to friendly but needy populations without regard to the friendliness of their governments. Public Law 88-638 extended the authority contained in Title II through December 31, 1966. Prior to January 1, 1967, the effective date of the amendment of Title II by the Food for Peace Act of 1966, such surplus agricultural commodities were limited to those held in CCC stocks. The amendment removed such limitation as of January 1, 1967.

Section 308 of PL 480, as amended, authorized CCC to donate for foreign relief and foreign non-profit school lunch programs, fats and oils from its stocks or such quantities of fats and oils purchased by CCC as the Secretary determined would tend to maintain the support

levels for cottonseed and soybeans without requiring the acquisition of such commodities under the price support program. This section was repealed effective January 1, 1967, by the Food for Peace Act of 1966.

5. PAYMENT-IN-KIND PROGRAMS

All payment-in-kind export programs have been discontinued.

Public Law 88-26 provided for payments-in-kind to producers for the diversion of corn, grain sorghums, and barley acreage under the Feed Grain Program and for price support payments-in-kind to producers who participate in the program. The producers can redeem their certificates in feed grains from CCC stocks or can obtain a cash payment from CCC if they desire CCC's assistance in the marketing of the certificates. All certificates on which cash payments are made are pooled by CCC and rights to certificates in the pool are sold by CCC for redemptions in feed grains. A similar program for the 1966 through 1969 crops of feed grains was authorized by Title III of the Food and Agriculture Act of 1965.

